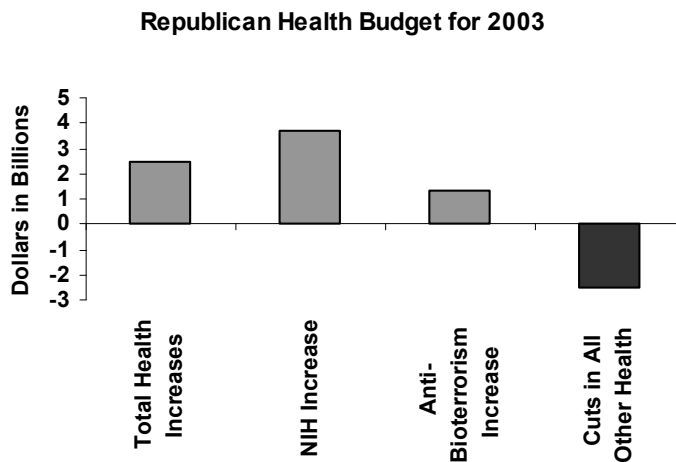


Function 550: Health

In Function 550 (Health), appropriated programs, also called discretionary, include most direct health care services programs. Other health programs in the Function fund anti-bioterrorism activities and national biomedical research, protect the health of the general population and workers in their places of employment, provide health services for under-served populations, and promote training for the health care workforce. For 2003, funding for the National Institutes of Health (NIH) represents over half (56 percent) of all discretionary funding. The major mandatory programs in this function are Medicaid, the State Children's Health Insurance Program (SCHIP), and Tricare-for-Life (health care for Medicare-eligible military retirees).

Appropriated Programs

- ***House Republican Budget Identical to the President's Budget*** — For appropriated programs in Function 550 (Health), the House Republican budget equals the President's budget.²¹ Like the President's budget, the House Republican resolution provides \$48.4 billion in appropriations for 2003, an increase of \$1.5 billion (3.1 percent) above CBO's estimate of the level need to maintain constant purchasing power.
- ***House Republican Budget Requires Cuts for Most Health Programs*** — Like the President's budget for 2003, the House Republican budget for 2003 increases discretionary funding by \$2.5 billion over the 2002 enacted level. However, when examined in detail, it is clear that this overall increase is insufficient to fund the even larger increases (\$5.0 billion more than the 2002 enacted level) included for National Institutes of Health (\$3.7 billion) and anti-bioterrorism activities (\$1.3 billion) without cutting funding for other programs by a corresponding \$2.5 billion. For 2003, funding for NIH alone represents over half (56.0 percent) of the function's funding for appropriated health programs.



²¹The President's budget also displays \$382 million for 2003 in this function to account for the full cost of accruing all pensions, retired pay, and retiree health benefits for employees. This amount reflects only an accounting change and does not represent a programmatic increase. See *Appropriated Programs and Creative Accounting* for further discussion.

While the increases for NIH and anti-bioterrorism activities are supported by Congress on a bipartisan basis, there is real concern about eliminating, cutting, or freezing other health-related activities that promote training for the health care workforce, and that provide most direct health care services programs for those who are vulnerable, poor, or living in underserved areas with high rates of uninsured persons. Clearly this overall increase is insufficient to fund the major increases included for the NIH (\$3.7 billion) and anti-bioterrorism activities (\$1.3 billion) without cutting funding for other programs.

Mandatory Programs

- ***House Republicans Reject President's Budget for Entitlement Programs*** — The House Republican budget does not include any of the President's revisions to entitlement programs such as a one-year extension of Transitional Medicaid Assistance or state retention of expiring funds under the State Children's Health Insurance Program. It assumes only one revision to current law and that was not included in the President's budget.

Under the House Republican budget, mandatory spending increases by \$3.2 billion over five years (2003-2007) relative to current law as estimated by OMB. This reflects the enactment of The Family Opportunity Act, a proposal with broad bipartisan support in Congress. This legislation permits states to provide Medicaid services to disabled children with family income up to 300 percent of the poverty line.

- ***Account Transfer*** — As required under current law, the House Republican budget transfers the Tricare-for-Life program (health care for Medicare-eligible military retirees) to Function 550. Previously this spending was included in Function 050 (Defense). This additional spending is not related to ongoing programmatic increases, and should not be interpreted as increased spending on health.

Medicaid

- ***House Republican Budget Plan Fails to Extend Transitional Medicaid Assistance (TMA)*** — Unlike the President's budget, the House Republican budget fails to include \$350 million to extend TMA for one year. This program provides health coverage for former welfare recipients as they enter the workforce and is an integral part of welfare reform. See *Function 600 (Income Security)* for a further discussion of welfare.

The one-year TMA extension included in the President's budget was woefully inadequate, but the total elimination of it by the House Republican budget is a major retreat on welfare reform. It seriously hampers continuing efforts to assist people make the transition from welfare to work.

State Children's Health Insurance Program (SCHIP)

- ***House Republican Budget Does Not Permit States to Keep the Expiring State Children's Health Insurance Program (SCHIP)*** — Unlike the President's budget, the House Republican budget does not allow states to retain \$3.2 billion in expiring SCHIP funds. Without this change, unused SCHIP funds for 1998-2000 must be returned to the Treasury at the end of 2002 and 2003.

When the President submitted his budget in February, the Office of Management and Budget (OMB) estimated that 900,000 children would lose their SCHIP coverage even if the states were permitted to keep these funds. Obviously, the loss of these funds will force states to drop additional children from their SCHIP rolls.

During the House Budget Committee markup of the 2003 budget resolution, the Republicans rejected an amendment offered by Rep. Tammy Baldwin (D-WI) that permitted the states to use these funds to provide health care coverage to eligible, uninsured children.

- ***No Help for the Uninsured***— The House Republican budget does not include specific plans to assist those without health insurance. Republicans ignore the plight of almost 40 million Americans.
 - ✓ In 2000, 14 percent of all Americans, 38.7 million people, were without any form of health insurance. This is one out of seven Americans.
 - ✓ An estimated 9.2 million children under age 19 were without health insurance in 2000, representing 12 percent of all children.
 - ✓ Eighty percent of the uninsured come from working families who do not have health insurance from their employers. Wage level plays a key role in who is insured.

Health Programs Subject to Annual Appropriations

The House Republican budget incorporates the President's 2003 funding levels that include increases for a limited number of activities.

- ***Anti-Bioterrorism Funding*** — For the fight against bioterrorism, the budget includes \$4.3 billion for 2003, an increase of \$1.3 billion, 43.3 percent, over the 2002 enacted level. The Public Health and Social Services Emergency Fund (PHSSEF) receives \$2.3 billion of this

amount and provides funding for state and local preparedness, pharmaceutical procurement, and federal medical and public health response. Several agencies (e.g. Centers for Disease Control and Prevention) within the Department of Health and Human Services are responsible for responding to the medical and public health consequences of bioterrorism and receive funding for anti-terrorism activities directly or through transfers from the PHSSEF. For a broader discussion of homeland security funding, see Homeland Security.

- ***Doubling Funding for NIH*** — For 2003, the budget increases NIH funding by \$3.7 billion (15.7 percent) over the 2002 enacted level. This increase is the final installment in the bipartisan commitment to double the NIH budget over five years (1999-2003). According to the Administration, about 40 percent of the 2003 increase is earmarked for bioterrorism prevention and treatment research. For 2003, NIH funding represents over half (56 percent) of the funding for appropriated health programs in this function.
- ***National Health Service Corps (NHSC)*** — For 2003, the budget increases NHSC by \$44 million, 29.7 percent, over the 2002 enacted level. Through its scholarship and loan programs, the NHSC places physicians in medically under-served areas which often have a high rate of uninsured persons. NHSC physicians are often the mainstay of the health care workforce for institutions, such as community health centers and disproportionate share and public hospitals, that serve the under-insured or uninsured.
- ***Boost Funds for Community Health Centers*** — For 2003, the budget funds community health centers at \$1.5 billion, an increase of \$114 million, 8.5 percent, over the 2001 enacted level. These centers are one of many providers serving low-income and uninsured people. Community health centers often rely on the NHSC for physicians to provide care to their patients and work with the CAP providers to coordinate care for the uninsured.

The House Republican budget incorporates the President's 2003 funding levels which include cuts for many activities and outright eliminations of many others.

- ***Eliminate Community Access Program (CAP)*** — The budget eliminates the community access program for 2003, a cut of \$105 million. CAP funds grants to coordinate health care services to the under-insured and uninsured offered by community providers such as public hospitals, community health centers, and disproportionate share hospitals.
- ***Eliminate State Planning Grants*** — The budget eliminates state planning grants for 2003, a cut of \$15 million. These grants are used by states to develop designs for providing access to health insurance coverage to all people in a state.
- ***Cut Health Professions Training Programs*** — For 2003, the budget cuts health professions training by \$278 million, 71.6 percent, below the 2002 enacted level. Nursing programs are not included in the overall reduction.

- ***Telehealth Activities Slashed*** — For 2003, the budget cuts telehealth activities by \$33 million, 84.6 percent, below the 2002 enacted level.
- ***Rural Health Activities Slashed*** — Rural health activities are cut by \$54 million, 41.9 percent, below the 2002 enacted level.
- ***Cut Children's Hospital Graduate Medical Education (GME)*** — For 2003, the budget cuts pediatric GME by \$85 million, 29.8 percent, below the 2002 enacted level. Funding drops to \$200 million for 2003. These funds are currently used by children's teaching hospitals to offset the higher costs of providing advanced training to pediatricians.
- ***Masking Cuts in the Substance Abuse and Mental Health Services Administration (SAMHSA)*** — The budget funds SAMHSA at \$3.2 billion for 2003, an increase of \$57 million over the 2002 enacted level. Mental health activities are frozen at the 2002 level of \$832 million. Substance abuse activities are funded at \$2.3 billion, a net increase of \$82 million. Substance abuse treatment programs are increased \$127 million, 6.3 percent, over the 2002 level. However, the prevention programs are cut \$45 million, 22.7 percent from the 2002 enacted level.
- ***Freeze Ryan White AIDS Programs*** — For 2003, the budget freezes Ryan White AIDS programs at the 2002 level of \$1.9 billion. With the advent of effective therapies, the number of persons seeking AIDS Drug Assistance Program (ADAP) assistance has more than doubled since 1996. The budget's level funding of Ryan White programs, especially ADAP, comes at a time when many states are implementing program restrictions or eligibility limits because of budget shortfalls.

Last year, a Kaiser Family Foundation survey (March 29, 2001) of ADAPs showed that these programs are key in providing HIV-related drugs to under-insured and uninsured persons living with HIV/AIDS. Ryan White programs fill the gaps for many with HIV/AIDS who do not have insurance and cannot qualify for Medicaid.

- ***Freeze Title X Family Planning*** — The budget freezes Title X family planning programs at the 2002 level of \$266 million for 2003.
- ***Freeze Maternal and Child Health (MCH) Block Grant*** — For 2003, the budget freezes the MCH block grant at the 2002 enacted level of \$739 million. The MCH block grant supports federal and state partnerships to develop service systems to address the critical challenges in maternal and child health.
- ***Freeze Healthy Start*** — The budget freezes Healthy Start at the 2002 level of \$99 million for 2003. The Healthy Start program supports programs in targeted high-risk communities to reduce low birth weight, inadequate prenatal care, and other factors contributing to infant mortality.